



House of Representatives

General Assembly

File No. 51

February Session, 2012

Substitute House Bill No. 5035

House of Representatives, March 20, 2012

The Committee on Planning and Development reported through REP. GENTILE of the 104th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT REDUCING MANDATES FOR MUNICIPALITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 12-53a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2012, and applicable to assessment years commencing on or after*
4 *said date*):

5 (a) (1) Completed new construction of real estate completed after
6 any assessment date shall be liable for the payment of municipal taxes
7 based on the assessed value of such completed new construction from
8 the date the certificate of occupancy is issued or the date on which
9 such new construction is first used for the purpose for which same was
10 constructed, whichever is the earlier, prorated for the assessment year
11 in which the new construction is completed. Said prorated tax shall be
12 computed on the basis of the rate of tax applicable with respect to such
13 property, including the applicable rate of tax in any tax district in
14 which such property is subject to tax following completion of such

15 new construction, on the date such property becomes liable for such
16 prorated tax in accordance with this section.

17 (2) Partially completed new construction of real estate shall be liable
18 for the payment of municipal taxes based on the assessed value of such
19 partially completed new construction as of October first of the
20 assessment year.

21 Sec. 2. Subsection (c) of section 12-62c of the general statutes is
22 repealed and the following is substituted in lieu thereof (*Effective*
23 *October 1, 2012, and applicable to assessment years commencing on or after*
24 *said date*):

25 (c) The assessment of any new construction that first becomes
26 subject to taxation pursuant to subdivision (1) of subsection (a) of
27 section 12-53a, as amended by this act, during an assessment year
28 encompassed within the term of a phase-in shall be determined in the
29 same manner as the assessment of all other comparable real property
30 in said assessment year, such that the total of incremental increases
31 applicable to such other comparable real property are reflected in the
32 assessment of such new construction prior to the proration of such
33 assessment pursuant to section 12-53a, as amended by this act.

34 Sec. 3. Subsection (a) of section 12-64 of the general statutes is
35 repealed and the following is substituted in lieu thereof (*Effective*
36 *October 1, 2012, and applicable to assessment years commencing on or after*
37 *said date*):

38 (a) All the following-mentioned property, not exempted, shall be set
39 in the list of the town where it is situated and, except as otherwise
40 provided by law, shall be liable to taxation at a uniform percentage of
41 its present true and actual valuation, not exceeding one hundred per
42 cent of such valuation, to be determined by the assessors: Dwelling
43 houses, garages, barns, sheds, stores, shops, mills, buildings used for
44 business, commercial, financial, manufacturing, mercantile and trading
45 purposes, ice houses, warehouses, silos, all other buildings and
46 structures, house lots, all other building lots and improvements

47 thereon and thereto, including improvements that are partially
48 completed or under construction, agricultural lands, shellfish lands, all
49 other lands and improvements thereon and thereto, quarries, mines,
50 ore beds, fisheries, property in fish pounds, machinery and easements
51 to use air space whether or not contiguous to the surface of the
52 ground. An easement to use air space shall be an interest in real estate
53 and may be assessed separately from the surface of the ground below
54 it. Any interest in real estate shall be set by the assessors in the list of
55 the person in whose name the title to such interest stands on the land
56 records. If the interest in real estate consists of an easement to use air
57 space, whether or not contiguous to the surface of the ground, which
58 easement is in the form of a lease for a period of not less than fifty
59 years, which lease is recorded in the land records of the town and
60 provides that the lessee shall pay all taxes, said interest shall be
61 deemed to be a separate parcel and shall be separately assessed in the
62 name of the lessee. If the interest in real estate consists of a lease of
63 land used for residential purposes which allows the lessee to remove
64 any or all of the structures, buildings or other improvements on said
65 land erected or owned by the lessee, which lease is recorded in the
66 land records of the town and provides that the lessee shall pay all taxes
67 with respect to such structures, buildings or other improvements, said
68 interest shall be deemed to be a separate parcel and said structures,
69 buildings or other improvements shall be separately assessed in the
70 name of the lessee, provided such separate assessment shall not alter
71 or limit in any way the enforcement of a lien on such real estate in
72 accordance with chapter 205, for taxes with respect to such real estate
73 including said land, structures, buildings or other improvements. For
74 purposes of determining the applicability of the provisions of this
75 section to any such interest in real estate, the term "lessee" shall mean
76 any person who is a lessee or sublessee under the terms of the lease
77 agreement in accordance with which such interest in real estate is
78 established.

79 Sec. 4. Section 12-202 of the general statutes is repealed and the
80 following is substituted in lieu thereof (*Effective July 1, 2012, and*
81 *applicable to calendar years commencing on or after January 1, 2014*):

82 (a) (1) Each domestic insurance company shall, annually, pay a tax
83 on the total net direct premiums received by such company during the
84 calendar year next preceding from policies written on property or risks
85 located or resident in this state. The rate of tax on all net direct
86 insurance premiums received on and after January 1, 1995, and prior to
87 January 1, 2014, shall be one and three-quarters per cent.

88 (2) The rate of tax on the total net direct health insurance premiums
89 received on or after January 1, 2014, and prior to January 1, 2015, shall
90 be one and three-quarters per cent, except that the rate of tax on the
91 total net direct health insurance premiums received on or after January
92 1, 2014, and prior to January 1, 2015, from any health insurance policy
93 when any municipality in this state appears in the policy as the named
94 insured and as such is responsible for the payment of the premiums
95 shown on such policy, shall be eighty-eight-hundredths of one per
96 cent.

97 (3) The rate of tax on the total net direct health insurance premiums
98 received on or after January 1, 2015, and prior to January 1, 2016, shall
99 be one and three-quarters per cent, except that the rate of tax on the
100 total net direct health insurance premiums received on or after January
101 1, 2015, and prior to January 1, 2016, from any health insurance policy
102 when any municipality in this state appears in the policy as the named
103 insured and as such is responsible for the payment of the premiums
104 shown on such policy, shall be forty-four-hundredths of one per cent.

105 (4) The rate of tax on the total net direct health insurance premiums
106 received on or after January 1, 2016, shall be one and three-quarters per
107 cent, except that the rate of tax on the total net direct health insurance
108 premiums received on or after January 1, 2016, from any health
109 insurance policy when any municipality in this state appears in the
110 policy as the named insured and as such is responsible for the
111 payment of the premiums shown on such policy, shall be zero per cent.

112 (5) Any bill that includes the tax imposed pursuant to this section
113 that is sent by a domestic insurance company to a municipality in this
114 state for payment of premiums on a health insurance policy shall

115 separately list the rate of tax charged to such municipality.

116 (b) The franchise tax imposed under this section on premium
117 income for the privilege of doing business in the state is in addition to
118 the tax imposed under chapter 208.

119 (c) In the case of any local domestic insurance company the
120 admitted assets of which as of the end of an income year do not exceed
121 ninety-five million dollars, eighty per cent of the tax paid by such
122 company under chapter 208 during such income year reduced by any
123 refunds of taxes paid by such company and granted under said
124 chapter within such income year and eighty per cent of the assessment
125 paid by such company under section 38a-48 during such income year
126 shall be allowed as a credit in the determination of the tax under this
127 chapter payable with respect to total net direct premiums received
128 during such income year, provided that these two credits shall not
129 reduce the tax under this chapter to less than zero, and provided
130 further in the case of a local domestic insurance company which is a
131 member of an insurance holding company system, as defined in
132 section 38a-129, these credits shall apply if the total admitted assets of
133 the local domestic insurance company and its affiliates, as defined in
134 said section, do not exceed two hundred fifty million dollars or, in the
135 alternative, in the case of a local domestic insurance company which is
136 a member of an insurance holding company system, as defined in
137 section 38a-129, these credits shall apply only if total direct written
138 premiums are derived from policies issued or delivered in
139 Connecticut, on risk located in Connecticut and, as of the end of the
140 income year the company and its affiliates have admitted assets minus
141 unpaid losses and loss adjustment expenses that are also discounted
142 for federal and state tax purposes and which for said local domestic
143 insurance company and its affiliates, as defined in said section do not
144 exceed two hundred fifty million dollars.

145 Sec. 5. Section 12-202a of the 2012 supplement to the general statutes
146 is repealed and the following is substituted in lieu thereof (*Effective July*
147 *1, 2012, and applicable to calendar years commencing on or after January 1,*

148 2014):

149 (a) Each health care center, as defined in section 38a-175, that is
150 governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to
151 the Commissioner of Revenue Services for the calendar year
152 commencing on January 1, 1995, and [annually thereafter] prior to
153 January 1, 2014, at the rate of one and three-quarters per cent of the
154 total net direct subscriber charges received by such health care center
155 during each such calendar year on any new or renewal contract or
156 policy approved by the Insurance Commissioner under section 38a-
157 183. Such payment shall be in addition to any other payment required
158 under section 38a-48. The rate of tax on all total net direct subscriber
159 charges received on or after January 1, 2014, shall be the rate of tax as
160 described in subsection (b) of this section.

161 (b) Except for a new or renewal contract or policy entered into on or
162 after July 1, 2005, to provide health care coverage to retired members
163 and their dependents under a plan procured pursuant to section 5-259
164 that is exempt from the tax imposed by this section, pursuant to
165 subsection (c) of this section:

166 (1) The rate of tax on the total net direct subscriber charges received
167 on or after January 1, 2014, and prior to January 1, 2015, shall be one
168 and three-quarters per cent, except that the rate of tax on the total net
169 direct subscriber charges received on or after January 1, 2014, and prior
170 to January 1, 2015, from any new or renewal contract or policy
171 approved by the Insurance Commissioner under section 38a-183, when
172 any municipality in this state appears in the contract or policy as the
173 named insured and as such is responsible for the payment of the
174 premiums shown on such contract or policy, shall be eighty-eight-
175 hundredths of one per cent.

176 (2) The rate of tax on the total net direct subscriber charges received
177 on or after January 1, 2015, and prior to January 1, 2016, shall be one
178 and three-quarters per cent, except that the rate of tax on the total net
179 direct subscriber charges received on or after January 1, 2015, and prior
180 to January 1, 2016, from any new or renewal contract or policy

181 approved by the Insurance Commissioner under section 38a-183, when
182 any municipality in this state appears in the contract or policy as the
183 named insured and as such is responsible for the payment of the
184 premiums shown on such contract or policy, shall be forty-four-
185 hundredths of one per cent.

186 (3) The rate of tax on the total net direct subscriber charges received
187 on or after January 1, 2016, shall be one and three-quarters per cent,
188 except that the rate of tax on the total net direct subscriber charges
189 received on or after January 1, 2016, from any new or renewal contract
190 or policy approved by the Insurance Commissioner under section 38a-
191 183, when any municipality in this state appears in the contract or
192 policy as the named insured and as such is responsible for the
193 payment of the premiums shown on such contract or policy shall be
194 zero per cent.

195 (4) Any bill that includes the tax imposed pursuant to this section
196 that is sent by a health care center to a municipality in this state for
197 payment of premiums shown on a new or renewal contract or policy
198 approved by the Insurance Commissioner under section 38a-183, shall
199 separately list the rate of tax charged to such municipality.

200 [(b)] (c) Notwithstanding the provisions of subsection (a) of this
201 section, the tax shall not apply to:

202 (1) Any new or renewal contract or policy entered into with the state
203 on or after July 1, 1997, to provide health care coverage to state
204 employees, retirees and their dependents;

205 (2) Any subscriber charges received from the federal government to
206 provide coverage for Medicare patients;

207 (3) Any subscriber charges received under a contract or policy
208 entered into with the state to provide health care coverage to Medicaid
209 recipients which charges are attributable to a period on or after
210 January 1, 1998;

211 (4) Any new or renewal contract or policy entered into with the state

212 on or after April 1, 1998, to provide health care coverage to eligible
213 beneficiaries under the HUSKY Plan, Part A, HUSKY Plan, Part B, or
214 HUSKY Plus programs, each as defined in section 17b-290;

215 (5) Any new or renewal contract or policy entered into with the state
216 on or after February 1, 2000, to provide health care coverage to retired
217 teachers, spouses or surviving spouses covered by plans offered by the
218 state teachers' retirement system;

219 (6) Any new or renewal contract or policy entered into on or after
220 July 1, 2001, to provide health care coverage to employees of a
221 municipality and their dependents under a plan procured pursuant to
222 section 5-259;

223 (7) Any new or renewal contract or policy entered into on or after
224 July 1, 2001, to provide health care coverage to employees of nonprofit
225 organizations and their dependents under a plan procured pursuant to
226 section 5-259;

227 (8) Any new or renewal contract or policy entered into on or after
228 July 1, 2003, to provide health care coverage to individuals eligible for
229 a health coverage tax credit and their dependents under a plan
230 procured pursuant to section 5-259;

231 (9) Any new or renewal contract or policy entered into on or after
232 July 1, 2005, to provide health care coverage to employees of
233 community action agencies and their dependents under a plan
234 procured pursuant to section 5-259; or

235 (10) Any new or renewal contract or policy entered into on or after
236 July 1, 2005, to provide health care coverage to retired members and
237 their dependents under a plan procured pursuant to section 5-259.

238 [(c)] (d) The provisions of this chapter pertaining to the filing of
239 returns, declarations, installment payments, assessments and collection
240 of taxes, penalties, administrative hearings and appeals imposed on
241 domestic insurance companies shall apply with respect to the charge
242 imposed under this section.

243 Sec. 6. Subsection (b) of section 12-210 of the general statutes is
244 repealed and the following is substituted in lieu thereof (*Effective July*
245 *1, 2012, and applicable to calendar years commencing on or after January 1,*
246 *2014*):

247 (b) (1) Each insurance company incorporated by or organized under
248 the laws of any other state or foreign government and doing business
249 in this state shall, annually, [on and after January 1, 1995,] pay to said
250 Commissioner of Revenue Services, in addition to any other taxes
251 imposed on such company or its agents, a tax of one and three-
252 quarters per cent of all net direct premiums received by such company
253 in the calendar year next preceding from policies written on property
254 or risks located or resident in this state, excluding premiums for ocean
255 marine insurance, and, upon ceasing to transact new business in this
256 state, shall continue to pay a tax upon the renewal premiums derived
257 from its business remaining in force in this state at the rate which was
258 applicable when such company ceased to transact new business in this
259 state. The rate of tax on all such net direct premiums, excluding
260 premiums for ocean marine insurance, received on or after January 1,
261 1995, and prior to January 1, 2014, shall be one and three-quarters per
262 cent.

263 (2) The rate of tax on all such net direct premiums, excluding
264 premiums for ocean marine insurance, received on or after January 1,
265 2014, and prior to January 1, 2015, shall be one and three-quarters per
266 cent, except that the rate of tax on all such net direct premiums
267 received on or after January 1, 2014, and prior to January 1, 2015, from
268 any health insurance policy when any municipality in this state
269 appears in the policy as the named insured and as such is responsible
270 for the payment of the premiums shown on such policy, shall be
271 eighty-eight-hundredths of one per cent.

272 (3) The rate of tax on all such net direct premiums, excluding
273 premiums for ocean marine insurance, received on or after January 1,
274 2015, and prior to January 1, 2016, shall be one and three-quarters per
275 cent, except that the rate of tax on all such net direct premiums

276 received on or after January 1, 2015, and prior to January 1, 2016, from
277 any health insurance policy when any municipality in this state
278 appears in the policy as the named insured and as such is responsible
279 for the payment of the premiums shown on such policy, shall be forty-
280 four-hundredths of one per cent.

281 (4) The rate of tax on all such net direct premiums, excluding
282 premiums for ocean marine insurance, received on or after January 1,
283 2016, shall be one and three-quarters per cent, except that the rate of
284 tax on all such net direct premiums received on or after January 1,
285 2016, from any health insurance policy when any municipality in this
286 state appears in the policy as the named insured and as such is
287 responsible for the payment of the premiums shown on such policy,
288 shall be zero per cent.

289 Sec. 7. Subsection (c) of section 47a-42 of the general statutes is
290 repealed and the following is substituted in lieu thereof (*Effective*
291 *October 1, 2012*):

292 (c) Whenever the possessions and personal effects of a defendant
293 are removed by a state marshal under this section, such possessions
294 and effects shall be delivered by such marshal to the designated place
295 of storage. Such removal, delivery and storage shall be at the expense
296 of the defendant. If such possessions and effects are not reclaimed by
297 the defendant and the expense of such storage is not paid to the chief
298 executive officer within fifteen days after such eviction, the chief
299 executive officer shall sell the same at public auction, [after using]
300 provided the defendant may, prior to the expiration of the fifteen-day
301 period, request an additional fifteen days to reclaim such possessions
302 and effects and pay the expense of such storage. The chief executive
303 officer shall use reasonable efforts to locate and notify the defendant of
304 such sale and [after posting] shall post notice of such sale for one week
305 on the public signpost nearest to the place where the eviction was
306 made, if any, or at some exterior place near the office of the town clerk.
307 The chief executive officer shall deliver to the defendant the net
308 proceeds of such sale, if any, after deducting a reasonable charge for

309 storage of such possessions and effects. If the defendant does not
310 demand the net proceeds within thirty days after such sale, the chief
311 executive officer shall turn over the net proceeds of the sale to the town
312 treasury. If the proceeds of the sale are insufficient to cover the
313 expense of storage of the defendant's possessions and effects, the chief
314 executive officer may charge and collect from the plaintiff the
315 difference between the sale proceeds and the expense of such storage.

316 Sec. 8. Subsection (c) of section 49-22 of the general statutes is
317 repealed and the following is substituted in lieu thereof (*Effective*
318 *October 1, 2012*):

319 (c) Whenever a mortgage or lien upon land has been foreclosed and
320 execution of ejectment issued, and the possessions and personal effects
321 of the person in possession thereof are removed by a state marshal
322 under this section, such possessions and effects shall be delivered by
323 such marshal to the designated place of storage. Such removal,
324 delivery and storage shall be at the expense of such person. If the
325 possessions and effects are not reclaimed by such person and the
326 expense of the storage is not paid to the chief executive officer within
327 fifteen days after such ejectment, the chief executive officer shall sell
328 the same at public auction, [after using] provided such person may,
329 prior to the expiration of the fifteen-day period, request an additional
330 fifteen days to reclaim such possessions and effects and pay the
331 expense of such storage. The chief executive officer shall use
332 reasonable efforts to locate and notify such person of the sale and after
333 posting notice of the sale for one week on the public signpost nearest
334 to the place where the ejectment was made, if any, or at some exterior
335 place near the office of the town clerk. The chief executive officer shall
336 deliver to such person the net proceeds of the sale, if any, after
337 deducting a reasonable charge for storage of such possessions and
338 effects. If such person does not demand the net proceeds within thirty
339 days after the sale, the chief executive officer shall turn over the net
340 proceeds of the sale to the town treasury. If the proceeds of the sale are
341 insufficient to cover the expense of storage of such person's
342 possessions and effects, the chief executive officer may charge and

343 collect from the plaintiff in possession of the land the difference
 344 between the sale proceeds and the expense of such storage.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2012, and applicable to assessment years commencing on or after said date</i>	12-53a(a)
Sec. 2	<i>October 1, 2012, and applicable to assessment years commencing on or after said date</i>	12-62c(c)
Sec. 3	<i>October 1, 2012, and applicable to assessment years commencing on or after said date</i>	12-64(a)
Sec. 4	<i>July 1, 2012, and applicable to calendar years commencing on or after January 1, 2014</i>	12-202
Sec. 5	<i>July 1, 2012, and applicable to calendar years commencing on or after January 1, 2014</i>	12-202a
Sec. 6	<i>July 1, 2012, and applicable to calendar years commencing on or after January 1, 2014</i>	12-210(b)
Sec. 7	<i>October 1, 2012</i>	47a-42(c)
Sec. 8	<i>October 1, 2012</i>	49-22(c)

Statement of Legislative Commissioners:

In section 4, technical corrections were made for accuracy, in section 5, the word "direct" was added to the phrase "total net direct subscriber charges" for clarity, and throughout, percentages were rewritten as "x fraction of one per cent", for uniformity.

PD Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Department of Revenue Services	GF - Revenue Loss	None	36.7 million

Note: GF=General Fund

Municipal Impact: See Below

Explanation

The bill eliminates and phases out certain insurance premiums taxes, which results in a state revenue loss of approximately \$36.7 million in FY 14, \$40.7 million in FY 15, and \$51.4 million in FY 16 and annually thereafter. This also results in a savings to municipalities of approximately \$5.7 million in FY 14, \$9.1 million in FY 15, and \$12.9 million in FY 16 and annually thereafter.

Sections 1 - 3 of the bill makes partially completed structures or structures under construction subject to municipal property tax. This conforms statute to current practice. *Kasica v Town of Columbia*, now under appeal, raised questions about this practice.

It is estimated that the cumulative municipal revenue total from taxing partially completed or structures under construction exceeds \$20 million annually. Depending on the outcome of the court case the bill may preclude a significant revenue loss to all municipalities.

Sections 4 - 6 of the bill eliminate and phase out certain insurance premiums taxes, which results in a state revenue loss of approximately \$36.7 million in FY 14, \$40.7 million in FY 15, and \$51.4 million in FY 16 and annually thereafter. This also results in a savings to municipalities of approximately \$5.7 million in FY 14, \$9.1 million in

FY 15, and \$12.9 million in FY 16 and annually thereafter.

Section 4 eliminates the insurance premiums tax for domestic companies on all types of insurance policies except health, the rate for which is phased out entirely by 2016 for policies that insure Connecticut municipalities. This results in a state revenue loss of approximately \$32.2 million in FY 14, \$33.4 million in FY 15, and \$41.1 million in FY 16 and annually thereafter.

This also results in a savings to municipalities of approximately \$1.1 million in FY 14, \$1.8 million in FY 15, and \$2.6 million in FY 16 and annually thereafter.

Sections 5 - 6 phases out, by 2016, the insurance premiums tax for non-resident and foreign insurance companies' and health care centers' health insurance policies that insure Connecticut municipalities. This results in a state revenue loss of approximately \$4.5 million in FY 14, \$7.3 million in FY 15, and \$10.3 million in FY 16 and annually thereafter.

This also results in a savings to municipalities of \$4.5 million in FY 14, \$7.3 million in FY 15, and \$10.3 million in FY 16 and annually thereafter.

Sections 7 and 8 of the bill, which allows a municipality to recoup costs for storing possessions under eviction or foreclosure, will result in a savings to various municipalities. It is estimated that there are 2,500 evictions statewide annually. In 2011, there were approximately 2,700 foreclosures statewide. Municipal storage costs for evictions and foreclosures can cost up to \$350,000 annually.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Connecticut Department of Public Health
CT Department of Revenue Services
Massachusetts Department of Revenue Services Municipal Databank of Actual

Health Insurance Costs
Public Hearing Testimony from CCM and COST
The Commonwealth Fund
The Warren Group

OLR Bill Analysis**sHB 5035*****AN ACT REDUCING MANDATES FOR MUNICIPALITIES..*****SUMMARY:**

This bill:

1. eliminates the tax on domestic insurance companies' total net direct premiums, other than on health insurance premiums, after January 1, 2014;
2. phases out, by 2016, the tax on domestic insurance companies' total net direct health insurance premiums and non-resident and foreign insurance companies' and health care centers' (i.e., HMOs') total net direct insurance premiums and subscriber charges, respectively, for policies that insure Connecticut municipalities;
3. explicitly authorizes municipalities to impose property tax on structures that are partially completed or under construction; and
4. allows an evicted tenant or former owner of a foreclosed property to request additional time to reclaim possessions after an eviction and authorizes a town's chief executive officer (CEO) to charge and collect from a landlord or mortgage holder (e.g., a bank) payment for storage expenses when the proceeds from the sale of the former tenant's or owner's possessions do not cover these costs.

EFFECTIVE DATE: Various, see below

§§ 4-6 — TAX BREAKS FOR INSURANCE COMPANIES AND HMOS

Domestic Insurance Companies Total Net Direct Premiums

The bill eliminates the tax on domestic insurance companies' total net direct premiums beginning January 1, 2014, except for premiums on health insurance.

Under current law, the premium tax rate for domestic companies is 1.75%. Under the bill, domestic insurance companies only pay tax on total net direct health insurance premiums as described below.

Tax Phase-out on Municipal Policies

Under current law, the premium tax rate for domestic, nonresident, and foreign insurance companies is 1.75%. The tax on HMO's direct subscriber charges is also 1.75%.

The bill phases out premium taxes on municipal health insurance policies in three steps for domestic insurance companies' and nonresident and foreign insurance companies' municipal policies.

It reduces the tax rate to 0.88% for calendar year 2014, 0.44% for calendar year 2015, and zero for calendar years 2016 and after. The rate remains 1.75% for these entities' non-municipal policies.

The bill requires that any invoice which includes the tax imposed under this bill that a domestic insurance company (i.e., not international or nonresident one) or HMO sends to a municipality for these policies separately state the reduced tax rate in the list of charges.

EFFECTIVE DATE: July 1, 2012, and applicable to calendar years beginning on or after January 1, 2014.

§§ 1-3 — PROPERTY TAX ON PARTIALLY CONSTRUCTED HOUSES AND OTHER BUILDINGS

The bill explicitly makes partially completed structures or structures under construction (e.g., a house being built) subject to municipal property tax.

Under current law, it is unclear whether a town's assessor may include the value of partially completed structures and improvements

in a property's assessment. While tax assessors have commonly assessed buildings that are under construction, a recent Superior Court decision, currently under appeal, has raised questions about whether state law authorizes them to do so (see BACKGROUND).

Under current law, non-exempted structures, such as residential homes, garages, barns, buildings used for business, and all other building lots and improvements on them are taxable at a uniform percentage of their present true and actual value, not greater than 100%, as an assessor determines. The law requires assessors assess property for 70% of that value (CGS § 12-62a). Under the bill, an assessor would determine the value of partially completed improvements to a structure and tax them accordingly.

Current law directs how tax assessors and tax collectors must treat new real estate construction that is completed after the October 1 assessment date. If the property was under construction on that date, it becomes taxable on either the date the certificate of occupancy is issued or the date it is first used for the purposes for which it was constructed, whichever is earlier, prorated for the assessment year in which the new construction is completed. The bill specifies that, on October 1, the municipal tax is based on the assessed value of the (1) completed new construction or (2) partially completed portion.

EFFECTIVE DATE: October 1, 2012, and applicable to assessment years beginning on or after that date.

§§ 7-8 — TIMING OF SALE OF AND COST OF STORING POSSESSIONS UNDER AN EVICTION OR FORECLOSURE EJECTEMENT

The bill allows (1) an evicted tenant or former owner of a foreclosed property to request additional time to reclaim possessions that were moved to storage during an eviction and (2) a municipality to obtain reimbursement for any storage costs remaining after the sale of unclaimed possessions from a landlord or mortgage holder.

By law, a state marshal who executed an eviction order or ejectment

(for foreclosures) must move any remaining possessions and personal property to a storage facility that the town's CEO designates. The former tenant or owner is responsible for the cost of removal, delivery, and storage of the possessions.

The law gives an evicted tenant or former owner 15 days to reclaim his or her stored possessions. After that time and an attempt to locate and notify the owner, the CEO can sell the property at public auction, after posting a notice of the sale. Under the bill, before a tenant's or former owner's 15-day storage period is up, he or she can request an additional 15 days to reclaim the possessions and pay the storage and other expenses.

By law, the chief elected official must give the former tenant or owner the proceeds of the sale after deducting the town's costs for the storage process. After 30 days, if the former tenant or owner does not claim the sale proceeds, they are deposited in the town treasury. Under the bill, if the sale proceeds do not cover the storage expenses, the CEO may charge and collect the difference from the landlord in the case of a former tenant or a bank or note holder (actual note and mortgage holder at the time the suit is filed) in the case of a former owner.

EFFECTIVE DATE: October 1, 2012

BACKGROUND

Superior Court Case on Taxing Structures that are under Construction

The case of *Kasica v Town of Columbia* concerns a partially constructed house on a 3.44 acre lot in Columbia, Connecticut. In 2008, Columbia's assessor valued the land at \$255,000 and the improvements (35% complete) at \$569,500. The property owner appealed the assessor's valuation to the Court, alleging, in part, that the assessor violated CGS § 12-53a by taxing the partially completed house.

The Court ruled that without the issuance of a certificate of occupancy by the building inspector, there was no statutory authority for the assessor to (1) value the subject premises as partially improved

and (2) add this amount to Columbia assessment rolls.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 15 Nay 5 (03/02/2012)